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#### Mexico and the Castro Problem

Mexico presently threatens to become a more serious problem to us than it has been since the late 1930's when General Lázaro Cárdenas was President of that country. The latent fear, jealousy and animosity towards the United States that is always a complicating factor in Mexico was largely offset in the 1940's by our joint efforts during World War II and by Mexico's phenomenal growth (supported by United States credits and investment) in the post war period. But by 1958 internal stresses in Mexico had become so acute that the country ceased to have goals which are universally accepted and great optimism in the future declined. A description of these stresses follows:

1. Evident and growing disparities in wealth and income that undermine confidence in the validity of Mexican policies. Industrialization did create an entrepreneurial class and raised the living standards of skilled, organized labor, but the high cost of the domestic industrial product and exuberant protectionism placed most industrial products further and further from the reach of those whose incomes were not much raised by the growing economy of the country, well over one-half of the population.

2. The evident failure of Mexico's agrarian reform. The Mexican Revolution of 1910 destroyed the landed aristocracy without creating a large class of small, independent and prosperous farmers, for the land was redistributed to communal entities subject to political and financial manipulation while those who tilled the soil still lacked title to their land. The plots allocated to the landless under this system were from the beginning too small to permit prosperity and the population explosion in the country exacerbated the acute land problem beyond all bounds. Real incomes of poor farmers have undoubtedly declined under this agrarian system, while those few large farms that were left and converted into factory farms have become so enormously efficient and prosperous that statistically Mexico's over-all agricultural productivity has increased at least as rapidly as that of its industry. Unfortunately, these efficient factory farms produce crops

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largely for export (cotton, cattle, fruits and vegetables, etc.) and the benefits of this efficiency are not passed on to the less prosperous of Mexico. In an effort to hold down the cost of living for Mexico's urban, industrial poor, the prices of Mexico's agricultural production for internal consumption have been rigidly controlled making it even more difficult for poor farmers to earn a decent living and discouraging efficient Mexican factory farms from producing for the domestic market. As a result, Mexico imports corn, its basic food crop, while it is plagued with surpluses of cotton and exportable vegetables. Under these conditions the rural poor grow poorer while the rural wealthy grow richer, and this despite Mexico's agrarian reform laws. The large number of Mexican farmers who work on prosperous United States farms each year as migratory laborers serves further to demonstrate the inadequacies of Mexico's agrarian policies.

3. The corruption and insensitivity of Mexico's ruling classes. Industrialization has been profitable not only to skilled labor and management but to politicians as well. Industrialists expect to pay 20 percent or more of their profits and a larger percentage of the value of the government contracts they receive to Mexican politicians. Government-owned corporations pay salaries of \$10,000 or more per year to favored Mexican officials on their boards of directors whose sole corporate duties are to meet briefly one or two times a year. Shake-downs of one sort or another are common among lesser officials. State and local officials and Federal civilian and military officials share handsomely in the profits of vice, the illicit narcotic traffic and smuggling, the latter becoming highly profitable under Mexico's blatant protectionism. Corruption has always been a problem in Mexico but industrial prosperity has made politicians more greedy than ever and the Mexican people have come to expect that members of the ruling party, which includes labor, farm and industrial leaders, will always sacrifice the public interest in favor of personal profit. Opposition groups including Communist organizations are considered to be honest if only because they do not have access to the public till.

4. Weak and incompetent leadership. The internal stresses of Mexico are reflected in the nomination system of the ruling party and nomination, which insures election, is granted either to those non-entities who have made few enemies or to extraneists who might be converted into loyal subordinates by access to the extra legal sources of wealth. Cárdenas was the last strong President of Mexico. López Mateos is undoubtedly one of the weakest, but since he appears to be

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firmly in control of the Mexican political apparatus, he is probably better able to stand up to Cárdenas than he is willing to believe. The real crisis in Mexico will arise in 1963 when the growing influence of Cárdenas and extreme leftists in Mexican politics might well dictate the nomination and therefore the 1964 election of a Communist oriented Mexican politician.

5. The failure to progress significantly towards political democracy. In a Mexican political situation torn by economic stress and dominated by corrupt officials, concessions to genuinely democratic processes are likely to encourage the politically frustrated to commit excesses and threaten the country's political stability which the great, though probably declining, majority of Mexicans highly value after the years of violent instability that prevailed in Mexico from its independence to the 1940's. Since the comfortable alliance between politicians, industrialists and racketeers would be jeopardized by democratic progress, the ruling classes cannot be expected to be enthusiastic democrats. American investors also benefit from this alliance and probably do not wish to see it threatened though it is now apparent that the ruling clique is quite prepared to throw foreign investors to the nationalist wolves to steer reform away from itself.

6. The advent of Castro. In its doctrinaire tradition Mexico was so hostile to the Batista dictatorship that it gave support to the Castro movement without thought of the possible consequences to itself. Castro trained his forces on Mexican territory and sailed from Mexico in his successful invasion attempt.

[REDACTED] We know now Mexico's tolerance of Communists made it easy for the 26th of July movement to be Communist infiltrated before it left for Cuba. Rather than admit error, Mexican officials have been willing to go to absurd lengths to justify the Castro regime and even now are unwilling publicly to admit that he represents a threat to their own country. Cárdenas, the great mystic of Mexican political life, has obviously fallen under the complete domination of the Communists around him.

[REDACTED] While the Mexican Government was caught trying to justify Castro against its own interests, Cárdenas was able to step in with open support for Castro and even to threaten a Castro-type revolution for Mexico. Given the internal stresses of the country and the 25-year infiltration of the entire Mexican educational system by known Communists, the Cárdenas threat has become serious.

[REDACTED] It should be noted that President López Mateos is himself a product of and greatly influenced by the

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Marxist, educated intelligentsia of Mexico and probably suffers serious inner conflicts whenever he has to take a position on the vital political problems he faces. This would explain his evident reluctance to take any stand at all. Since last summer at least, he has let us know that he is worried about Communism in Mexico and the Castro situation generally and that he hopes we can find an effective means of eliminating Cuban Communism. At the same time he has indicated that his Government, for domestic political and historical reasons, must remain opposed to foreign intervention in Cuba, direct or indirect, multilateral or bilateral.

Mexico and Efforts to Achieve a Unified Latin American Front Towards Castro.

In deciding whether to apply any pressure on Mexico to take a public stand against Castro, we must be certain that we will not lose more in Mexico than we gain in Cuba or the rest of the hemisphere. If the contemplated pressure pushes Mexico significantly further along the road of concessions to Marxists, either immediately or during the next presidential nominations, such pressure would be highly detrimental to United States interests. If the pressure can be accomplished in a manner that would discredit both Castro and the Mexican Communists, and at the same time stiffen the spine of the Mexican Government against the Communist threat, a real feat will have been achieved. This may require some patient negotiations with some exasperating Mexicans but it will be worth that price.

I believe that Mexico is now more in the balance than we realize and recognition of this should be a part of every decision taken on the Castro problem.

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